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C O N F I D E N T I A L SECTION 01 OF 03 CHENGDU 000030

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DEPT FOR EAP/CM AND INR

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SUBJECT: SOUTHWEST CHINA LEADERSHIP CHANGES FROM THE "PRINCELING"  
PERSPECTIVE

REF: A) 06 CHENGDU 1262 B) 06 CHENGDU 1016

CLASSIFIED BY: James A. Boughner, Consul General, U.S. Consulate  
General , Chengdu.

REASON: 1.4 (b), (d)

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11. (C) Summary: Discussing the prospects of key local government leaders, a well-connected Congen contact suggested it is possible Chengdu Party Secretary Li Chuncheng's promotion hopes could be somewhat dented due to real estate-related corruption in the city. New Sichuan Party Secretary Du Qinglin and Acting Governor Jiang Jufeng are well-respected managers, were purposely chosen by Beijing as provincial outsiders, and are likely to be careful in going about any administrative changes. According to Deng Xiaoping nephew Zhang Haijiang, much of his family's real estate concerns are focused in Guangdong or Hainan in southeast China. Stories told by both Congen contact and Zhang appear indicative of the often thin line separating local business and government interests. End Summary.

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Privileged Background  
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12. (C) At the fringes of a recent reception held in Chongqing, a local contact shared his thoughts on high-level personnel changes and political developments within Sichuan Province and the centrally-administered Chongqing municipality. Speaking to the CG tete-a-tete in a large banqueting hall holding several hundred people with loud music blasting from a floor show in the background, our contact said one could fairly describe him as having been raised as a "taizi" or "princeling," a child of a former high ranking government official with access to special perks and privileges. Although our contact went on to study in the United States and became an American citizen, he returned to China to run a US-based business and tries to keep informed

about the direction of government policies through his father who still lives in Beijing.

13. (C) Our contact indicated his father used to head one of China's state banks and is partnered with former Foreign Trade and Economic Cooperation (MOFTEC) Assistant Minister and WTO negotiator Long Yongtu, as well as several other retired officials, at a Chinese venture capital fund. Long, currently the Secretary General of the Boao Forum for Asia, is the principal manager of the fund which he handles for the most part out of an office in Hainan. Our contact said his father and his father's friends "hate" the Communist Party, but love China and take pride in its economic accomplishments. While apparently oblivious to the inherent irony of the situation, our contact also noted his father did everything possible to ensure his children were educated overseas and acquired foreign passports. Our contact's sister has spent most of her adult life in Europe.

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Chengdu and Chongqing  
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14. (C) Just back from Beijing on a visit to his father, our contact said that Chengdu Party Secretary Li Chuncheng had also traveled recently to the capital where he lobbied to be promoted out of the current job that he has held for close to four years and be given a provincial governorship, preferably in northeast China where he began his early career. Our contact noted that, although he has performed well in Chengdu, Li feels he has been unable to develop a strong local power base and is ambitious for greater responsibilities. The father of our contact told him it is unclear what onward assignment Li will be given, but it is quite possible he will have to make do with a deputy governorship, especially since he has been tainted by a local real estate corruption scandal (see ref b). Li's overall

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competence, ability to get things done and implement policies efficiently, however, has not gone unnoticed and is appreciated in Beijing. Our contact said he did not know what position Chengdu Mayor Ge Honglin -- a Shanghai native and former head of the Baogang Iron and Steel Group -- is likely to end up with, but indicated Ge is also considered an effective administrator.

15. (C) In Chongqing, our contact continued, Party Secretary and Anhui native Wang Yang is capable and competent and has the support of Hu Jintao. Appointed to his position a little over a year ago, however, the challenges faced by Wang of trying to run the Chongqing municipality -- an area that includes a massive rural population and poor families resettled from the Three Gorges project -- are immense. Chongqing Mayor Wang Hongju, a hometown boy, is popular with local officials.

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Provincial-Level Leaders  
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16. (C) Our contact remarked his father has known Sichuan's new Acting Governor Jiang Jufeng, who was just promoted on January 24 from the province's executive deputy governor slot, for over twenty years and views him to be someone who is flexible and easy to work with. While not considered "brilliant," our contact continued, Jiang has a reputation for "steady dependability." As a Zhejiang native and former Wenzhou Party Secretary, Jiang is likely to prove more independent of "local

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interests" than his predecessor, Sichuan native Zhang Zhongwei. (Note: One of Jiang's assistants told CG at a December banquet that his boss would likely be promoted to governor as he had already proven himself working in Sichuan, but was not himself from Sichuan. The assistant commented the Central Government almost always prefers to have non-locals in top provincial slots. End note.)

17. (C) According to our contact, Sichuan Party Secretary Du

Qinglin, formerly China's Minister of Agriculture, appears for now to be keeping a low profile and has made few public appearances. Just appointed in December 2006, Du is of course a Hu Jintao loyalist. His predecessor, Zhang Xuezhong, however, was very close to Hu and had a personal relationship with him dating back to the 1980's. Du, therefore, may need to be careful not to proceed too quickly with any desired changes in Sichuan's administration.

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The Deng Family  
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18. (C) During a separate conversation at yet another recent banquet, Deng Xiaoping nephew Zhang Haijiang claimed to CG he knows little about the new provincial party secretary. He volunteered, however, that he greatly admires Chengdu Party Secretary Li's efforts to promote growth and economic

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opportunities in the city. Zhang, the son of Deng Xiaoping younger half-sister Deng Xianfu, observed "business has been good" under Li. At the same time, however, Zhang observed that during the last eight months or so it has been increasingly difficult to purchase lots for real estate development projects in the city. In fact, Zhang and his partners decided to pull out of one major property deal that appeared to be held up indefinitely. Currently the general manager of the Huayue Real Estate Development Company in Guangzhou, Zhang said he spends most of his time in southern China and is particularly interested in Shenzhen and Hainan where his firm has been responsible for a number of luxury property developments.

19. (C) Noting his mother lives much of the year in Hainan, Zhang said she is closely involved in a number of her own business ventures. Xie Shijie, former Sichuan Party Secretary during the mid-1990's, also lives in Hainan and helps to manage investments made by Zhang's mother. (Note: CG has met Zhang's elderly mother and doubts she herself could play any kind of active management role in a business other than to serve as a figure head. End note). Zhang said he is disappointed that his son, who recently graduated from Carnegie Mellon University and also went to high school in the United States, has had difficulty finding work he likes in China and is thinking about returning

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to the US for graduate study. Zhang is trying to convince him to at least try working in Hong Kong first. Zhang's daughter is a student in Santa Barbara and the family has purchased a large home there.

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Comments  
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110. (C) When a city like Chengdu undergoes the kind of rapid transformation and building boom it has had during the last few years under Party Secretary Li's tenure, access to the most prime plots of land is naturally a potential source of both huge profit and temptation. Commenting that most of Singapore's USD 400 million of FDI in Sichuan Province is related to real estate investments, the Singapore Consul General told us recently his country's firms have also noticed a bit of a government slowdown within the last few months on licenses to develop property in Chengdu. Post speculates that Chengdu Party Secretary Li, with his promotion perhaps on the line, may have called for at least a temporary timeout.

BOUGHNER